

Message Text

SECRET

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

----- 081131

O 222125Z DEC 73

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC NIACT IMMEDIATE 3631

S E C R E T SECTION 1 OF 2 KINGSTON 4349/1

EXDIS

E.O. 11652: GDS

TAGS: EMIN, EIND, PFOR, JM

SUBJ: BAUXITE COMMISSION AND GOJ BAUXITE POLICIES

REF: A. KINGSTON A-186 NOV 27, 1973; B. KINGSTON 1507 JUN 13, 1972;

C. KINGSTON 3588 OCT 19, 1973; D. KINGSTON 3921 NOV 17, 1973;

E. KINGSTON 4088 DEC 3, 1973; F. KINGSTON 4252 DEC 13, 1973;

G. KINGSTON 4328 DEC 20, 1973; H. STATE 249533 DEC 21, 1973

SUMMARY: EMBASSY HAS NO INFORMATION EITHER CONFIRMING OR REFUTING REPORT BAUXITE COMMISSION WILL RECOMMEND COMPANIES BE NATIONALIZED. COMMISSIONS ROLE STRICTLY ADVISORY. POLICY FORMULATION AND EXECUTION FIRMLY IN HANDS OF PRIME MINISTER AND CABINET. COMMISSIONS REPORT WHEN FILED WILL PROBABLY BE NATIONALISTIC IN TONE AND MAY CONTAIN CERTAIN RECOMMENDATION UNACCEPTABLE TO COMPANIES AND PERHAPS TO GOVT. HOWEVER, EMBASSY WOULD BE SURPRISED IF IT RECOMMENDED OUTRIGHT NATIONALIZATION. PNP GOVT HAS STATED CLEARLY AND REPEATEDLY THAT NATIONALIZATION DOES NOT RPT NOT FORM PART OF ITS POLICIES. HOWEVER IT HAS ALSO INDICATED DISSATISFACTION WITH CURRENT ARRANGEMENTS WITH THE COMPANIES AND INTENTION TO SEEK ADJUSTMENTS, PROBABLY EARLY NEXT YEAR. ENERGY CRISIS PROBABLY AFFECTING ISSUE IN TWO WAYS: ON ONE HAND GOJ UNLIKELY TO PERCIPITATE SECOND ECONOMIC CRISIS BY MOVING AGAINST BAUXITE INDUSTRY WHILE IT IS STRUGGLING WITH ENERGY CRISIS. ON THE OTHER HAND, LONG RUN INCREASE IN PETROLEUM COSTS AND RESULTING PRESSURE ON BALANCE OF PAYMENTS WILL TEND TO INCREASE GOVERNMENTS DESIRE FOR A GREATER TAKE FROM THE BAUXITE INDUSTRY. END SUMMARY.

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1. EMBASSY HAS NO HARD INFORMATION WHICH WOULD EITHER CONFIRM OR

REFUTE REPORT THAT BAUXITE COMMISSION WILL RECOMMEND NATIONALIZATION OF THE BAUXITE INDUSTRY IN JAMAICA. HOWEVER, IN A RECENT CONVERSATION WITH AN EMBOFF DR. KEITH DUNCAN, A MEMBER OF THE COMMISSION, SAID THAT THE COMMISSION WAS FAR BEHIND IN ITS WORK AND PROBABLY WOULD NOT BE IN A POSITION TO FILE ITS REPORT FOR AT LEAST SIX MONTHS (REF A).

2. BAUXITE COMMISSION WAS ESTABLISHED IN JUNE 1972 TO EXPLORE AND MAKE RECOMMENDATION UPON FUTURE GOVT POLICIES WITH RESPECT TO TGE BAUXITE INDUSTRY. IT SHOULD BE EMPHASIZED THAT ITS FUNCTIONS ARE ADVISORY. THE FORMULATION AND EXECUTION OF BAUXITE POLICY REMAINED AND REMAINS STRICTLY IN THE HANDS OF PRIME MINISTER MANLEY AND HIS CABINET. THE ESTABLISHMENT AND FIRST MEETING OF THE BAUXITE COMMISSION WAS REPORTED IN REF B. DEPT WILL NOTE THAT MIN OF MINES AND NATURAL RESOURCES ALAN ISAACS CHARGED THE COMMISSION WITH ESTABLISHING JAMAICAN SOVERIGNTY OVER THE INDSTRY; ENLARGEMENT OF JAMAICAN INPUT INTO THE INDUSTRY; AND MXIMIZATION OF THE INDUSTRY'S INPUT INTO JAMAICA. WHILE THESE INSTRUCTIONS WERE NATIONALISTIC IN TONE THEY WERE RATHER VAGUE, AND IN PRIVATE ISAACS HAS TENDED TO BE MUCH MORE MODERATE AND RATIONAL.

3. THE COMPOSITION OF THE BAUXITE COMMISSION HAS CHANGED SOMEWHAT OVER THE PAST EIGHTEEN MONTHS. WE CAN IDENTIFY THREE OF ITS TEN MEMBERS AS BEING SOUND AND CAREFUL IN ECONOMIC AND FINANCIAL MATTERS. THESE ARE ARTHUR BROWN, PRESIDENT OF THE CENTRAL BANK (WHO IS WELL KNOWN TO THE DEPT); DR. K.O. RATTRAY, THE SOLICITOR GENERAL; AND R.I. MASON, OF THE PM'S OFFICE. FOUR CAN BE EXPECTED TO TAKE A MORE NATIONALISTIC LINE ON THESE QUESTIONS: THEY ARE PATRICK ROSSEAU (CHAIRMAN; SIR EDGAERTON RICHARDSON, FORMER AMBASSADOR TO THE US AND NOW PERM SEC OF THE MINISTRY OF CIVIL SERVICE; RICHARD FLETCHER, CHAIRMAN, SUGAR INDUSTRY AUTHORITY; AND DR. KEITH DUNCAN, PNP PARTY ACTIVIST. THREE OTHERS WE KNOW LITTLE ABOUT TO REACH ANY JUDGEMENTS. THEY ARE M.O. MINOTT, DIRECTOR OF MINERAL RESOURCES, MINISTRY OF MINES AND NATURAL RESOURCES; DR. VINCENT HILL, DIRECTOR OF MINES IN THE SAME MINISTRY; AND DARYL MYERS, ATTORNEY.

4. WHEN THE BAUXITE COMMISSION DOES FILE ITS REPORT IT WILL PROBABLY BE QUITE NATIONALISTIC IN TONE, AND MAY INCLUDE RECOMMENDATIONS THAT WOULD BE UNACCEPTABLE TO THE
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BAUXITE COMPANIES, AND PERHAPS TO THE GOVT AS WELL, HOWEVER, WE WOULD BE SURPRISED IF ITS RECOMMENDATION INCLUDED NATIONALIZATION OF THE BAUXITE COMPANIES IN THE SENSE OF FORCED, UNCOMPENSATED EXPROPRIATION. IN FACT THERE IS A SEMANTIC PROBLEM WITH THE WORD "NATIONALIZATION" IN THE JAMAICAN CONTEXT. JAMAICAN GOVTS HAVE LONG FAVORED AND SOUGHT "JAMAICANIZATION" OF MAJOR INDUSTRIES OR KEY ACTIVITIES SUCH AS BANKING OR INSURANCE. BY THIS

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ACTION SS-30

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----- 081145

O 222125Z DEC 73

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC NIACT IMMEDIATE 3632

S E C R E T SECTION 2 OF 2 KINGSTON 4349/2

EXDIS

THEY HAVE MEANT MAJORITY JAMAICAN OWNERSHIP WHETHER PUBLIC, PRIVATE OR A COMBINATION. THUS FAR, HOWEVER, MAJORITY OWNERSHIP HAS ALWAYS BEEN ACQUIRED BY NEGOTIATION AND PURCHASE. RECENT GOJ MINORITY PARTICIPATION IN THE CEMENT PLANT AND FLOUR MILL CAN NOT BE CONSIDERED "NATIONALIZATION". DOUBTLESS THE GOVT APPLIED CONSIDERABLE PRESSURE IN ORDER TO STRENGTHEN ITS NEGOTIATING POSITION IN BOTH CASES, BUT IN THE LAST ANALYSIS THE TERMS WERE ACCEPTABLE TO THE FIRMS IN QUESTION, SINCE THEY ACCEPTED THEM. THE TERMS "JAMAICANIZATION" IN THIS SENSE AND "NATIONALIZATION" ARE OFTEN USED INTERCHANGEABLY.

5. PRIME MINISTER MANLEY AND OTHER MEMBERS OF HIS CABINET HAVE REPEATEDLY STATED BOTH PUBLICALLY AND PRIVATELY THAT NATIONALIZATION DOES NOT RPT NOT FORM PART OF THE POLICIES OF THE PNP GOVT, AND THAT THE GOJ FAVORS USEFULLY DIRECTED AND EMPLOYED FOREIGN INVESTMENT. THIS STATEMENT WAS MADE MOST RECENTLY BY DAVID COORE, MINISTER OF FINANCE AND DEPUTY PRIME MINISTER IN A SPEECH TO THE AMERICAN MEN'S LUNCHEON ASSOCIATION LAST MONTH.

6. HOWEVER, SINCE ITS INCEPTION THE PNP GOVT HAS BEEN EQUALLY CANDID THAT IT IS NOT SATISFIED WITH EXISTING ARRANGEMENTS WITH THE BAUXITE COMPANIES, AND THAT IT WOULD SEEK TO GET MORE OUT OF THE INDUSTRY FOR JAMAICA. EMBASSY HAS WARNED REPEATEDLY OVER THE PAST SEVERAL MONTHS THAT THE GOJ WAS LIKELY TO TAKE STEPS IN THAT DIRECTION EARLY IN THE NEW YEAR (REFS C, D, AND E). RECENTLY THE GOJ LEVIED A REQUIREMENT FOR PROVISION OF A WIDE RANGE OF DAA WITH RESPECT TO THE OPERATIONS ON THE BAUXITE COMPANIES, PRESUMABLY IN PREPARATION FOR UP-COMING NEGOTIATIONS (REF F). THIS

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REQUIREMENT HAS CAUSED SOME ALARM AMONG THE COMPANIES, BUT THEY ARE MOVING TO COMPLY.

7. THE WORLD-WIDE ENERGY CRISIS MAY AFFECT AND PERHAPS DEALY THE NEGOTIATIONS THE GOJ APPARENTLY PLANNED FOR EARLY IN THE NEW YEAR. SOMEWHAT BELATEDLY IT HAS COME TO REALIZE THAT JAMAICA HAS ITS BACK TO THE WALL IN THE ENERGY CRUNCH. MANLEY AND ISAACS WERE ABLE TO ASSURE CONTINUED SUPPLIES OF POL IN THE COURSE OF RECENT TRIPS TO TRINIDAD AND VENEZUELA, BUT APPARENTLY WERE NOT ABLE TO REACH ANY AGREEMENT ON PRICE. ON HIS RETURN ISAACS WARNED THAT JAMAICA MAY FACE A DOUBLING OF THE COSTS IT MUST BEAR FOR PETROLEUM AND THAT THIS WOULD BE AN INTOLERABLE BURDEN TO THE BALANCE OF PAYMENTS AT CURRENT RATES OF CONSUMPTION (REF G). WE THINK IT UNLIKELY THAT THE GOJ WOULD BE INTERESEDIN TAKING ON A SECOND ECONOMIC CRISIS BY NATIONALIZING THE BAUXITE INDUSTRY WHILE IT IS STRUGGLING WITH THE EFFECTS OF THE ENERGY CRISIS, ESPECIALLY SINCE SUCH AN ACTION WOULD BE LIKELY TO STRANGLE THE COUNTRY'S LARGEST AND MOST SECURE SOURCE OF FOREIGN EXCHANGE. AND ALMOST CERTAINLY SCARE OFF POTENTIAL FOREIGN INVESTORS.

8 BY THE SAME TOKEN, HOWEVER, THE GOJ WILL PROBABLY BE EVEN MORE INTERESTED THAN IN THE PAST IN MAXIMIZING ITS TAKE FROM THE BAUXITE INDUSTRY, GIVEN THE PROBABILITY THAT INCREASED COSTS FOR PETROLEUM WILL NT BE TEMPORARY PHENOMENON NO MATTER WHAT HAPPENS BETWEEN ISRAEL AND THE ARABS. INCRESIED PRESSURE ON THE BALANCE OF PAYMENTS WILL THEREFORE INCREASE THE PRESSURES ON THE GOVT TO RENEGOTIATE CURRENT ARRANGEMENTS WIT THE COMPANIES.

9. WE DO NOT KNOW THE GOVT'S PRECISE GOALS IN THE TALKS IT PLANS WITH THE COMPANIES, BUT THEY MAY WELL INCLUDE (A) INCREASED RATES OF EXPLOITATION; B) A MORE RATIONAL USE OF LAND AND PERHAPS RECOVERY OF SOME LAND AND MINERAL RIGHTS; C) A GREATER PERCENTAGE OF BAUXITE REFINED INTO ALUMINA IN JAMAICA; D) ACCESS TO INFORMATION AND RECORDS HERETOFORE CONSIDERED CONFIDENTIAL BY THE COMPANIES; AND E) PERHAPS SOME DEGREE OF EQUITY PARTICIPATION, PRESUMABLY BY NEGOTIATION AND PURCHASE.

10. WE WOULD BE ABLE TO ELICIT MORE INFORMATION ON THE COMMISSIN AND ITS PLANS IF WE COULD TALK TO MEMBERS LIKE BROWN, MASON, AND RATTRAY WITH WHOM WE HAVE FAIRLY CLOSE AND CONFIDENTIAL RELATIONS. HOWEVER ALL THREE ARE GOVT OFFICIALS.

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REQUEST PERMISSION TO EXPLORE IN VERY GENERAL TERMS THE QUESTION OF THE COMMISSIONS WORK AND ITS PROBABLE RECOMMENDATIONS WITH

THE ABOVE MEMBERS AT THE FIRST OPPORTUNITY.
HEWITT

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